

AMENDED IN ASSEMBLY APRIL 25, 2011

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 878

**Introduced by Assembly Member Bill Berryhill
(Principal coauthor: Assembly Member Monning)**

February 17, 2011

An act to amend Section 7125 of the Business and Professions Code, relating to local contractors.

LEGISLATIVE COUNSEL'S DIGEST

AB 878, as amended, Bill Berryhill. Contractors: workers' compensation insurance.

Existing law, the Contractors' State License Law, provides for the licensing and regulation of contractors by the Contractors' State License Board within the Department of Consumer Affairs. Existing law authorizes the board to appoint a registrar of contractors and requires a workers' compensation insurer to report to the registrar specified information regarding a licensee's workers' compensation policy.

This bill would, additionally, require a workers' compensation insurer to report to the registrar a licensee whose workers' compensation insurance policy is cancelled due to specified circumstances, including, but not limited to, failure to pay the policy premium, *or upon cancellation of a workers' compensation insurance policy when specified conditions relating to misrepresentation are met. The bill would provide that a willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7125 of the Business and Professions
2 Code, as amended by Section 1 of Chapter 423 of the Statutes of
3 2010, is amended to read:

4 7125. (a) Except as provided in subdivision (b), the board shall
5 require as a condition precedent to the issuance, reinstatement,
6 reactivation, renewal, or continued maintenance of a license, that
7 the applicant or licensee have on file at all times a current and
8 valid Certificate of Workers' Compensation Insurance or
9 Certification of Self-Insurance. A Certificate of Workers'
10 Compensation Insurance shall be issued and filed, electronically
11 or otherwise, by one or more insurers duly licensed to write
12 workers' compensation insurance in this state. A Certification of
13 Self-Insurance shall be issued and filed by the Director of Industrial
14 Relations. If reciprocity conditions exist, as defined in Section
15 3600.5 of the Labor Code, the registrar shall require the information
16 deemed necessary to ensure compliance with this section.

17 (b) This section does not apply to an applicant or licensee who
18 meets both of the following conditions:

19 (1) Has no employees provided that he or she files a statement
20 with the board on a form prescribed by the registrar prior to the
21 issuance, reinstatement, reactivation, or continued maintenance of
22 a license, certifying that he or she does not employ any person in
23 any manner so as to become subject to the workers' compensation
24 laws of California or is not otherwise required to provide for
25 workers' compensation insurance coverage under California law.

26 (2) Does not hold a C-39 license, as defined in Section 832.39
27 of Title 16 of the California Code of Regulations.

28 (c) No Certificate of Workers' Compensation Insurance,
29 Certification of Self-Insurance, or exemption-certificate is required
30 of a holder of a license that has been inactivated on the official
31 records of the board during the period the license is inactive.

32 (d) (1) The insurer, including the State Compensation Insurance
33 Fund, shall report to the registrar the following information for
34 any policy required under this section: name, license number,

1 policy number, dates that coverage is scheduled to commence and
2 lapse, and cancellation date if applicable. ~~A~~

3 (2) A workers' compensation insurer shall also report to the
4 registrar a licensee whose workers' compensation insurance policy
5 is canceled for any of the following reasons:

6 ~~(1)~~

7 (A) Failure to make a workers' compensation premium payment
8 when due.

9 ~~(2)~~

10 (B) Failure to report payroll or submit to an insurer audit of
11 payroll.

12 ~~(3)~~

13 (C) Material misrepresentation by a policyholder or its agent.

14 ~~(4)~~

15 (D) Failure to cooperate with the insurer in the insurer's
16 investigation of a claim.

17 (3) *A workers' compensation insurer shall also report to the*
18 *registrar a licensee whose workers' compensation insurance policy*
19 *is canceled by the insurer if all of the following conditions are*
20 *met:*

21 (A) *The insurer has completed a premium audit or investigation.*

22 (B) *A material misrepresentation has been made by the*
23 *policyholder that results in financial harm to the insurer.*

24 (C) *No reimbursement has been paid by the insured to the*
25 *insurer.*

26 (4) *Willful or deliberate disregard and violation of workers'*
27 *compensation insurance laws constitutes a cause for disciplinary*
28 *action.*

29 (e) (1) For any license that, on January 1, 2011, is active and
30 includes a C-39 classification in addition to any other classification,
31 the registrar shall, in lieu of the automatic license suspension
32 otherwise required under this article, remove the C-39 classification
33 from the license unless a valid Certificate of Workers'
34 Compensation Insurance or Certification of Self-Insurance is
35 received by the registrar.

36 (2) For any licensee whose license, after January 1, 2011, is
37 active and has had the C-39 classification removed as provided in
38 paragraph (1), and who is found by the registrar to have employees
39 and to lack a valid Certificate of Workers' Compensation Insurance

1 or Certification of Self-Insurance, that license shall be
2 automatically suspended as required under this article.

3 (f) This section shall remain in effect only until January 1, 2013,
4 and as of that date is repealed, unless a later enacted statute, that
5 is enacted before January 1, 2013, deletes or extends that date.

6 SEC. 2. Section 7125 of the Business and Professions Code,
7 as amended by Section 2 of Chapter 423 of the Statutes of 2010,
8 is amended to read:

9 7125. (a) The board shall require as a condition precedent to
10 the issuance, reinstatement, reactivation, renewal, or continued
11 maintenance of a license, that the applicant or licensee have on
12 file at all times a current and valid Certificate of Workers'
13 Compensation Insurance or Certification of Self-Insurance. A
14 Certificate of Workers' Compensation Insurance shall be issued
15 and filed, electronically or otherwise, by one or more insurers duly
16 licensed to write workers' compensation insurance in this state. A
17 Certification of Self-Insurance shall be issued and filed by the
18 Director of Industrial Relations. If reciprocity conditions exist, as
19 defined in Section 3600.5 of the Labor Code, the registrar shall
20 require the information deemed necessary to ensure compliance
21 with this section.

22 (b) This section does not apply to an applicant or licensee who
23 has no employees provided that he or she files a statement with
24 the board on a form prescribed by the registrar prior to the issuance,
25 reinstatement, reactivation, or continued maintenance of a license,
26 certifying that he or she does not employ any person in any manner
27 so as to become subject to the workers' compensation laws of
28 California or is not otherwise required to provide for workers'
29 compensation insurance coverage under California law.

30 (c) No Certificate of Workers' Compensation Insurance,
31 Certification of Self-Insurance, or exemption-certificate is required
32 of a holder of a license that has been inactivated on the official
33 records of the board during the period the license is inactive.

34 (d) (1) The insurer, including the State Compensation Insurance
35 Fund, shall report to the registrar the following information for
36 any policy required under this section: name, license number,
37 policy number, dates that coverage is scheduled to commence and
38 lapse, and cancellation date, if applicable. A

(2) A workers' compensation insurer shall also report to the registrar a licensee whose workers' compensation insurance policy is canceled for any of the following reasons:

~~(1)~~

(A) Failure to make a workers' compensation premium payment when due.

~~(2)~~

(B) Failure to report payroll or submit to an insurer audit of payroll.

~~(3)~~

(C) Material misrepresentation by a policyholder or its agent.

~~(4)~~

(D) Failure to cooperate with the insurer in the insurer's investigation of a claim.

(3) A workers' compensation insurer shall also report to the registrar a licensee whose workers' compensation insurance policy is canceled by the insurer if all of the following conditions are met:

(A) The insurer has completed a premium audit or investigation.

(B) A material misrepresentation has been made by the policyholder that results in financial harm to the insurer.

(C) No reimbursement has been paid by the insured to the insurer.

(4) Willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action.

(e) This section shall become operative on January 1, 2013.

CORRECTIONS:

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